Supreme Court of the United States

OCTOBER TERM—1[redacted] 1925

No. [redacted] 87

INDEPENDENT WIRELESS TELEGRAPH COMPANY,

Petitioner,

vs.

RADIO CORPORATION OF AMERICA,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT AND BRIEF IN SUPPORT THEREOF.

WILLIAM H. DAVIS,
Counsel for Petitioner.

PRESS OF FREMONT PAYNE, INC., 80 Washington St., New York City.

Supreme Court of the United States

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

TO THE HONORABLE THE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Your petitioner respectfully represents unto this Honorable Court that the questions of law here presented go to the jurisdiction of the Federal Courts to entertain a suit under the patent laws of the United States brought by a licensee without the consent of the owner of the patent; and arise on a motion to dismiss for lack of parties plaintiff.

Grounds for Petition.

The grounds upon which the petition for a writ of certiorari is presented are:

1. That the decision of the Court of Appeals proposes vitally to restrict the effect of the decision of this Court in *Crown etc. Co.* v. *Nye etc. Works,* 261 U. S., 24; 43 Sup. Ct., 254, by establishing the proposition that the essential party, the owner of the patent, may be brought into the case as a party plaintiff against its will merely by adding to the caption of the bill of complaint the name of the owner of the patent and reciting in the bill of complaint that the owner of the patent was asked to join and refused and is outside of the jurisdiction of the Court; thereby introducing great unsettlement and chaos in the field of patent litigation wherever infringement injurious to the rights of a licensee is alleged;

2. That the series of agreements by which the respondent Radio Corporation of America in the instant case acquired its license rights under the two patents here in suit conveys to the Radio Corporation similar rights in literally hundreds of important patents in the new radio industry. The litigation on those patents is already very large and promises to be larger. For that reason immediate final determination of the right of the Radio Corporation to sue without joining the legal owner of the patents is of vital importance to this young industry.

The Facts.

The facts here involved are not in dispute. They are pleaded in paragraphs 8 and 9 and in paragraph 25 of the bill of complaint (Tr., pp. 133-4);

and are recited by the District Court (Tr., pp. 103-4), and by the Court of Appeals (Tr., pp. 133-5), in substantially the same words. They may be summarized as follows:

1. The patents in suit issued to Lee DeForest who assigned them to the DeForest Radio Telephone and Telegraph Company.

2. This action was brought by the respondent Radio Corporation of America, which, by mesne instruments in writing (Tr., p. 37 et seq.), and subject to the rights reserved by the numerous parties thereto, acquired the following licenses:

> "*Reserving to itself* [General Electric Co.] and its controlled companies, present and future respectively, personal licenses, transferable only to the successors to their business or part thereof and divisible only as their business is divided, to use for their own communication or other purposes for convenience or to save expense, but not for profit, the General Company hereby grants to the Radio Corporation an exclusive, divisible license to use and sell as well as a *non-exclusive, indivisible license to make,* only when, and to the extent that the General Company is not in a position to supply the desired device with reasonable business promptness (*the right to use and sell being limited* to the use and sale of apparatus purchased from the General Company or with its written consent, so far as the General Company is from time to time in condition to supply the same with reasonable business promptness) for radio purposes * * *" (Tr., pp. 47-48).

3. The owner of the patents, DeForest Radio Telephone and Telegraph Company, was requested by the respondent, Radio Corporation of America, to consent to join as a co-plaintiff but declined; the DeForest Company is not within the jurisdiction of the Court and has not appeared. The respondent, Radio Corporation of America, assumed to make the DeForest Company a party plaintiff without its consent by merely writing its name in the caption of the papers and reciting its refusal to join in paragraph 25 of the bill of complaint (Tr., pp. 12-13).

The District Court of the United States for the Southern District of New York (Judge Learned Hand) dismissed the bill of complaint for lack of parties (the DeForest Company) on the authority of the recent decision of this Court in *Crown* v. *Nye, supra*. The District Court said (Tr., p. 108):

> "I cannot regard the mere addition of the owner's name to the caption as a compliance with the rule."

The Circuit Court of Appeals for the Second Circuit reversed the District Court and remanded the case, saying (Tr., p. 137):

> "Since it (DeForest Company) refused consent here, as is set forth in the twenty-fifth paragraph of the bill of complaint, it was permissible for the appellant to name the DeForest Co. as a party plaintiff under the doctrine of Brush-Swan Co. v. Thomson-Houston Co. (48 Fed., 224), Hurd v. Jas. Goold Co. (203 Fed., 998)."

and (Tr., p. 138):

> "The name of the DeForest Company might have been signed by the appellant or its solicitors as its agents under the implied power given by the patent owner when he granted an exclusive license."

The decision of this Court in *Crown* v. *Nye*, *supra*, was not mentioned by the Court of Appeals.

Questions of Law.

Accepting the well-established law that a licensee* under a patent cannot maintain suit in its own name or in the name of the patent owner without joining the patent owner, where that licensee has no exclusive territorial rights, and no undivided interest in the whole patent, and where the patent owner is not the infringer, the decision of the Circuit Court of Appeals in this case presents the following important questions of law:

1. Can the licensee maintain a suit in equity against a third person without the consent of the owner of the patent merely by adding the owner's name to the caption of the bill of complaint and reciting in the body of the bill that the owner declined to join?

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*In this case the licensee has only an exclusive right to use and sell apparatus made by another for a specified purpose and a non-exclusive right to make the apparatus for the specified purpose when that party is not in a position to do so. These rights are granted subject to rights reserved in the original licensor, the DeForest Radio Telephone and Telegraph Company; the intermediate licensee, the American Telephone and Telegraph Company; and the second intermediate licensee, the General Electric Company.

2. Does the grant of a license for certain limited purposes without exclusive territorial rights and without an undivided interest in the whole patent, carry with it an implied power, running from the patent owner to the licensee, to sign the bill of complaint as agent for the patent owner, against the will of the patent owner?

3. Does such an implied power reside in a sub-licensee who has no right to exclude the patent owner and whose only exclusive right is the exclusive right to use and sell apparatus manufactured under the patent by the intermediate licensee (its licensor) for use in a limited field, coupled with a non-exclusive right to manufacture such apparatus for use and sale in the limited field when its licensor cannot supply the demand?

WHEREFORE, your petitioner respectfully prays that this Honorable Court will be pleased to grant a writ of certiorari in this case to the Circuit Court of Appeals for the Second Circuit, to bring up this cause to this Honorable Court, to the end that the cause may be reviewed and determined by this Honorable Court, and that your petitioner may have such other and further relief in the premises as may seem appropriate, and that the decree of the Circuit Court of Appeals for the Second Circuit and every part thereof may be reversed by this Honorable Court.

And your petitioner will ever pray, etc.

INDEPENDENT WIRELESS TELEGRAPH COMPANY,
Petitioner.

Byron Williams H. Dav

Counsel for Petitioner.

I HEREBY CERTIFY that I am of counsel for petitioner herein, Independent Wireless Telegraph Company; that in accordance with request of said petitioner the foregoing petition has been prepared; and that the allegations contained in said petition are true to the best of my knowledge and belief, and that said petition is not made for purposes of delay, and is, in my opinion, well founded in law and in fact, and should be granted.

Richard N. Williams Jr. Dr

Supreme Court of the United States

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INDEPENDENT WIRELESS TELEGRAPH COMPANY,
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RADIO CORPORATION OF AMERICA,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

The Facts.

Our only comment on the facts as presented in the petition is to emphasize

1. That the respondent, Radio Corporation of America, is a mere licensee under the patents in suit and as such is not entitled to bring this action (*Gaylor* v. *Wilder*, 10 How., 77; *Waterman* v. *Mackenzie*, 138 U. S., 252);

2. That the owner of the patents in suit, De-Forest Radio Telephone and Telegraph Company, is outside the jurisdiction of the Court, has declined to become a party plaintiff, and has not appeared in the action.

The Law.

We rely unreservedly upon the opinion of Judge Learned Hand for a correct statement of the law bearing on the present action, and believe that it is unnecessary to enlarge upon it in this brief. Although we recognize that the case of *Crown* v. *Nye,* 261 U. S., 24, was based on an assignment of the right to sue and that the present action is based on a license, we believe that the case of *Crown* v. *Nye,* is clearly controlling for the reasons stated in the opinion of Judge Learned Hand.

The Practical Effect of the Decision of the Court of Appeals.

A consideration of the history of the litigation in the Second Circuit on the patents here in suit makes more apparent the effect of the decision of the Court of Appeals in the present case.

In July, 1922, the Radio Corporation of America brought suit on these patents against *Hohenstein, et al.* The right to maintain the action in that case was asserted upon an assignment identical with that considered by this Court in the case of *Crown* v. *Nye, supra.* After the decision in *Crown* v. *Nye, supra,* the Circuit Court of Appeals, on that authority held the bill of complaint in the Hohenstein case defective for lack of parties (289 Fed., 757).

Another action, against *Emerson, et al.,* had been brought by the Radio Corporation of America on the same patents and based on an assignment as in the Hohenstein case. After the decision of this Court in the case of *Crown* v. *Nye, supra,* motions

were made in the Emerson case—by defendant to dismiss the bill of complaint and by plaintiff for leave to amend. The motion to dismiss was denied, and the plaintiff Radio Corporation of America was granted leave to amend by joining the DeForest Radio Telephone and Telegraph Company. Thereupon the DeForest Radio Telephone and Telegraph Company *actually signed the bill of complaint and appeared in the action.* The Circuit Court of Appeals for the Second Circuit held that the bill of complaint in that case was properly brought (296 Fed., 51).

After the voluntary joinder of the DeForest Company in the Emerson case, the Radio Corporation of America attempted to join the DeForest Radio Telephone and Telegraph Company and the American Telephone and Telegraph Company with it in the present action against your petitioner, Independent Wireless Telegraph Company. The American Telephone and Telegraph Company, being within the jurisdiction of the Court, was joined as a defendant. The DeForest Radio Telephone and Telegraph Company, however, was outside the jurisdiction of the Court, and refused to join. Thereupon the Radio Corporation of America attempted to join it as a plaintiff by merely typewriting its name in the caption of the bill of complaint, and reciting its refusal to join in paragraph 25.

The District Court held that the action in this form was improperly brought, and dismissed the bill of complaint (Tr. Rec. pp. 102 et seq.).

The Circuit Court of Appeals, however, referring to its opinion in the case of *Radio Corporation of America* v. *Emerson, supra,* and upon the authority of *Brush-Swan Co.* v. *Thomson-Houston Co.,* 48

Fed., 224, and cases following it, held that the bill was properly brought in the name of the patent owner.

The vital distinction between the Emerson case and the instant case is that in the instant case the DeForest Company is outside the jurisdiction of the Court, has not signed the bill of complaint or appeared, and will not be bound by the decree, whereas in the Emerson case the DeForest Company was a willing party plaintiff and would be bound by the decree.

In the instant case, the question was therefore squarely raised whether the owner of the patent could be made a party without its consent, even though it was not within the jurisdiction of the Court, by merely naming it as a party plaintiff against its will.

It seems to us that the question may be stated in this way:

Is the statute, Section 4898, and are the decisions of this Court in *Gaylor* v. *Wilder,* 10 How., 477; *Waterman* v. *Mackenzie,* 138 U. S., 252; and *Crown* v. *Nye,* 261 U. S., 24, an effective prohibition against making several monopolies out of the one and dividing them among different persons within the same limits, and an effective protection against successive recoveries of damages by different persons holding different portions of a patent right; or do those decisions of this Court concern themselves with a mere formality to be brushed aside by pleading a legal fiction which assumes to bring the patent owner into Court although it is not, in fact, in Court and would not be bound by any decree the Court might enter.

An Exception that Destroys the Rule.

If the doctrine of the Brush-Swan cases, as interpreted by the Court of Appeals of the Second Circuit, is to be thought of as an exception to the rule established by this Court in *Gaylor* v. *Wilder, supra, Waterman* v. *Mackenzie, supra,* and *Crown* v. *Nye, supra,* it goes far beyond anything for which support is found in decisions of this Court, and seems to us to defeat the purpose of the rule.

The only exception suggested to the general rule of *Waterman* v. *Mackenzie,* is found in the following sentence of the opinion of Justice Gray in that case (138 U. S. 252, 34 L. Ed., 923, 925):

> "In equity as at law when the transfer amounts to a license only, the title remains in the owner of the patent; and suit must be brought in his name, and never in the name of the licensee alone, *unless that is necessary to prevent an absolute failure of justice, as where the patentee is the infringer and cannot sue himself.*" (Italics ours.)

That exception has not subsequently been enlarged or modified in any respect by this Court. It had previously been applied specifically in *Littlefield* v. *Perry,* 21 Wall., 105; 22 L. Ed., 577.

In the *Brush-Swan* cases discussed by Judge Hand and referred to by the Court of Appeals as authority for its action in the instant case (*Brush-Swan Co.* v. *Thomson-Houston Co.,* 48 Fed., 224; *Brush-Swan Co.* v. *California,* etc., 52 Fed., 459) and in the *Excelsior cases* on the Allen patent (*Excelsior Co.* v. *Allen,* 104 Fed., 553; *Excelsior Co.* v. *Seattle,* 117 Fed., 140) the patent owner was either

controlled by the defendants or was in direct privity with them. In all those cases the patent owner and the infringer were engaged in a joint enterprise to swindle the original exclusive licensee out of his rights. The patent owner sought to protect its own wrongdoing by asserting that the exclusive licensee could not enforce its rights in a Court of Equity unless the patent owner joined as party plaintiff.

Of the dictum by the Circuit Court of Appeals in *Hurd* v. *James Goold,* 203 Fed., 998, Judge Hand said:

> "I should not feel justified in disregarding the dictum except for the last case in the Supreme Court" (*Crown* v. *Nye Tool Works,* 261 U. S., 24).

It may be noted, however, that in the *Hurd case* the patent had been held invalid by the Ohio District Court, and the patent owner had been enjoined by that Court from attempting to enforce it. The Supreme Court had later held the patent to be valid, but the patent owner was still under injunction when the suit was brought in the Second Circuit. The Circuit Court of Appeals held that since the patent owner was under injunction restraining him from joining as a plaintiff in the action, Hurd, who was a licensee for the New York territory, should be allowed to prosecute the action alone.

The extension of the theory of agency somewhat tentatively advanced by the Court of Appeals of the Ninth Circuit in *Excelsior Co.* v. *Allen,* 104 Fed., 553, but given general application by the Court of Appeals in the instant case seems to us

to defeat the entire purpose of Section 4898 of the Statutes as interpreted by this Court in *Gaylor* v. *Wilder; Waterman* v. *Mackenzie* and *Crown* v. *Nye, supra.*

Its immediate practical effect would be to enable the Radio Corporation of America to bring suit upon hundreds of patents owned by the General Electric Company, the Westinghouse Electric and Manufacturing Company, the American Telephone and Telegraph Company, the DeForest Radio Telephone and Telegraph Company, Western Electric Company, or any other person or corporation that may be taken into the Radio Corporation group by similar exchange of patent license rights. Out of each patent monopoly several will be made, distributed among different persons within the same limits, and manufacturers of radio apparatus will be obliged to defend themselves against successive attacks because of a single alleged infringing act.

Respectfully submitted,

WILLIAM H. DAVIS,
Counsel for Petitioner.